



NOAA
FISHERIES

NMFS Cost Recovery

IFQ Halibut/Sablefish

2015

**Sustainable
Fisheries
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IFQ Halibut and Sablefish Cost Recovery for Fishing Year 2015

Cost Recovery

Section 304(d)(2)(A) of the Magnuson–Stevens Fishery Conservation and Management Act (MSA), enacted in late 1996, obligates NMFS to recover the actual costs of management, data collection, and enforcement of the Individual Fisheries Quota (IFQ) Program for the Fixed-Gear Commercial Fisheries for Pacific Halibut and Sablefish in Waters in and off Alaska. The law provides that the fee be paid by IFQ fishermen and that the fee is based on the ex-vessel value of fish landed under the IFQ Program. The MSA limits the fee to 3 percent of the annual ex-vessel value in dollars, goods, and services.

Receipts from cost recovery are deposited in two accounts. Twenty-five percent (25 percent) of the collections are deposited in the U.S. Treasury. They are available to Congress for annual appropriations to support the North Pacific (IFQ) Loan Program. The other 75 percent is deposited in the Limited Access System Administrative Fund (LASAF). Funds in this account are available only to the Secretary of Commerce and must be spent on IFQ Program management, data collection, and enforcement. This report reviews the cost recovery requirements and responsibilities of fishery participants and NMFS; how the fee is determined; what IFQ Program costs were paid for by the fee; and compares LASAF expenditures in 2015 to 2014.

Requirements and Responsibilities

Cost recovery places the responsibility for payment of fees on two categories of participants: 1) IFQ permit holders with landings of halibut or sablefish authorized by their permit; and 2) IFQ registered buyers who are acting as shoreside processors.

For IFQ Permit Holders

IFQ permit holders are responsible for fees owed for all landings on their permit(s), regardless of whether their IFQ pounds were from their own quota share (QS) or leased from another QS holder and regardless of whether a permit holder or a hired skipper made the landings. IFQ permit holders are also responsible for fees owed for all landings of their halibut IFQ leased as guided angler fish (GAF) to a person holding a Charter Halibut Permit issued by NMFS.

Permit holders must pay their fee liability by no later than January 31 of the year after the calendar year of the landings. Permit holders may pay the amount billed, which is NMFS' calculation of the annual fee owed, based on standard ex-vessel prices and values; or permit holders may pay an amount based in whole or in part on actual ex-vessel value from the sale of their IFQ halibut or sablefish. If they choose this option, they must be prepared to demonstrate, with written documentation, how much money or other value they received for those IFQ landings.

Penalties: Failure to pay on time results in NMFS action against the permit holder's QS holdings and additional monetary charges, fines, and/or permit sanctions. If a permit holder fails to pay by the January 31 due date, his/her QS/IFQ will become nontransferable until the fee liability is satisfied, and he or she may not receive QS or IFQ by transfer. The NMFS, Alaska Region, Operations and Management Division (OMD) will issue an Initial Administrative Determination

(IAD) to which the permit holder must respond within 30 days. If an account is unpaid for 30 days after the due date, administrative fees, interest, and penalties start to accrue.

If the account is not paid within the 30 days provided by the IAD, in addition to fees, interest, and penalties, the permit holder's IFQ permit account will be sanctioned and the permit holder will be unable to fish until the fee liability is satisfied. Additional fines may also apply.

For IFQ Registered Buyers

Registered Buyers acting as shoreside processors must report the monetary value and amount of purchased pounds of IFQ halibut and sablefish by species, month, and port. This information is essential for calculating annual standard ex-vessel prices of IFQ fish. Reports are due to NMFS by October 15 each year and can be submitted on-line or on paper forms.

For NMFS

At the end of each IFQ Program fishing season, NMFS is responsible for these actions:

- ✓ compiles a list of all IFQ Program landings by species, month, and port or port group;
- ✓ uses shoreside IFQ Registered Buyer data to calculate a set of standard ex-vessel prices for IFQ fish landed;
- ✓ applies the appropriate standard ex-vessel price to each landing, creating a standard ex-vessel value for each landing;
- ✓ sums the total standard ex-vessel values of all landings to derive the total ex-vessel value of the year's IFQ fisheries;
- ✓ compiles all direct management, monitoring and enforcement costs (direct program costs) attributable to the IFQ Program;
- ✓ uses direct program costs and total ex-vessel value to calculate the annual fee percentage;
- ✓ applies the fee percentage to the standard ex-vessel value of a landing to determine the fee owed for each landing;
- ✓ sums the fees owed for all landings on all IFQ Program permits held by each permit holder. This final figure is the *annual fee* liability each permit holder owes and is based on standard ex-vessel prices and values; and
- ✓ mails IFQ permit holders a summary that itemizes their landings and shows their calculated fee liability.

The 2015 IFQ Program Cost Recovery Fee Percentage

NMFS announced that the 2015 IFQ fee percentage was set at 3.0 (80 FR 78172; December 16, 2015). Under cost recovery regulations, IFQ permit holders who used their permits to make landings of IFQ halibut or IFQ sablefish during the 2015 IFQ Program fishery or who leased halibut IFQ that was landed as GAF during the 2015 charter halibut fishery were obligated to pay 3.0 percent of the total ex-vessel value from the sale of their IFQ Program fish. The fee percentage derives from two sources:

- The total ex-vessel value of the IFQ Program fisheries for 2015; and
- The direct program costs for the IFQ Program as measured by actual expenditures during Federal fiscal year 2015.

These sources are discussed below.

Ex-Vessel Value of the IFQ Program Fisheries

Ex-vessel value is determined from ex-vessel prices which differ between IFQ species, from port to port, and with the time of year. To account for price variability in the annual fee liability, NMFS calculates an average ex-vessel price for each species, port of landing, and month and uses these prices to calculate the total ex-vessel value of the IFQ fisheries.

NMFS used the 2015 Registered Buyer data to calculate the average ex-vessel price for each species, port, and month. Then the amount of IFQ species products delivered to each port or port group, by month, was multiplied by this “standard” ex-vessel price to calculate the “standard” ex-vessel values. The total ex-vessel value of the IFQ fisheries is the sum of standard ex-vessel values for each IFQ species, port, and month. The total ex-vessel value of the IFQ Program fisheries based on standard ex-vessel values in 2015 was \$183,896,787; \$107,268,516 was attributed to halibut and \$76,628,271 was attributed to sablefish.

Costs of Management, Data Collection, and Enforcement

The other part of determining the fee is calculating the direct program costs to manage the IFQ Program, collect data from the IFQ fisheries, and conduct enforcement. Note these costs are incremental: the costs would not have been incurred except for the IFQ Program. Cost recovery fees do not increase agency budgets or expenditures. The fee offsets funds that would otherwise have been appropriated, except the International Pacific Halibut Commission (IPHC) and Alaska Department of Fish and Game (ADF&G) expenditures, for which there is no direct appropriation. No budgetary advantage is gained by inflating costs.

To arrive at these annual costs, in October NMFS, IPHC, and ADF&G each calculate their own IFQ-associated costs. NMFS separates costs by operating units including NMFS Restricted Access Management (RAM), NMFS Information Services Division (ISD), NMFS Office of Law Enforcement (OLE), NMFS Sustainable Fisheries (SF), NMFS Financial Service Division (FSD), NMFS Operations and Management Division (OMD), and NMFS Regional Administrator Office/Office of Administrative Appeals (RAO/Appels).

Calculation of the 2015 Fee Percentage

The annual fee percentage is calculated using the following formula:

$$[100 \times (\text{DPC}/\text{V})]$$

NMFS divides the direct program cost (DPC) by the total ex-vessel value (V) of the IFQ Program fisheries, and then multiplies by 100 to calculate a percentage. The result is the *fee percentage*. The detailed steps to calculate the 2015 fee percentage are as follows:

Detail of formula for calculating the 2015 fee percentage		
Factor	Value	Activity
Cost (DPC)	\$5,593,603	divide by V
Total Ex-Vessel Value (V)	\$183,896,787	multiply by 100
=	3.04*	round to nearest 0.1 percent
<i>Rate for 2015 IFQ Program = 3.0 percent</i>		

* The fee liability percentage cannot exceed 3 percent.

Summary of Direct Program Costs through 2015

The 2015 fee liability percentage of 3.0 percent is an increase of 0.4 percent from the 2014 fee percentage of 2.6 percent (79 FR 73045, December 9, 2014). The change in the fee percentage between 2014 and 2015 can be attributed to a 23.5 percent increase in direct program costs. Table 1 details the FY 2015 costs associated with management, data collection, and enforcement of the IFQ Program. Figure 1 compares the total costs of each NMFS operating unit, IPHC, and ADF&G from FY 2012 through FY 2015. Figures 2 and 3 show the changes in the total pounds landed and the average price, as summarized across all months and ports, for both IFQ halibut and sablefish.

The increase in direct program costs for 2015 was the result of the addition of staff in OLE, additional costs to maintain the interagency Internet-based landings system used for the IFQ Program, and increased costs for the IPHC port sampling program. An added source of increased costs was due to required trainings and increased salaries due to performance and cost-of-living adjustments. Additionally, while the ex-vessel value of the IFQ Program fisheries was in decline from 2011 to 2013, the value has since held steady, with a slight increase in 2015, which provided some counterbalance from the increase in direct program costs. As Figure 2 shows, the landed pounds of halibut under the IFQ program have decreased from 2010 to 2015, however, the average price has been high the last two years, which also provides some counterbalance to the decrease in pounds landed. Table 2 shows the ex-vessel value of the IFQ Program fisheries, the direct program costs, and the fee percentage from 2000 to 2015.

Table 1 Fiscal year 2015 IFQ Direct program costs by cost recovery component and operating unit.

Cost Recovery Component	NMFS OMD	NMFS RAM	NMFS SFD	NMFS ISD	NMFS RAO/Appeals	NMFS FSD	NMFS OLE	IPHC	ADFG	Total
Personnel Costs ^a	57,811	291,454	307,304	304,169	76,706	165,139	2,268,407	449,705	84,203	4,004,899
Travel ^b	-		16,788	2,843	-	-	56,624	17,894	1,135	95,284
Transportation ^c	-	28	-	-	-	-	1,406	-	-	1,434
Printing	-	514	-	-	-	-	-	-	-	514
Contracts/Training	-	3,944	83,143	187,394	-	-	658,714	59,790	2,496	995,481
Supplies	153	2,394	-	18,366	-	-	9,393	9,777	403	40,486
Equipment	-	-	-	75	-	-	47,944	-	-	48,019
Rent/Util/Overhead ^d	7,305	44,189	38,594	36,701	8,761	-	251,584	-	-	387,135
Other ^e	-	-	-	-	-	-	3	2,666	17,683	20,352
Total	\$ 65,270	\$ 342,523	\$ 445,830	\$ 549,549	\$ 85,468	\$ 165,139	\$ 3,294,075	\$ 539,832	\$ 105,919	\$ 5,593,603

^a Personnel includes costs of locality pay and all benefits.

^b Travel includes per diem payments. IPHC uses a scalar to determine costs so IPHC travel expenses reflect costs derived by a separate cost formula.

^c Transportation includes shipment of items.

^d Rent/Utilities/Overhead includes costs of space and utilities and shared common space and services.

^e IPHC “other” expenses include costs related to vessel clearances and reimbursed communications costs. ADF&G’s indirect costs are also included in “Other.”

Figure 1 IFQ Direct program costs by operating unit during fiscal years 2012 through 2015.

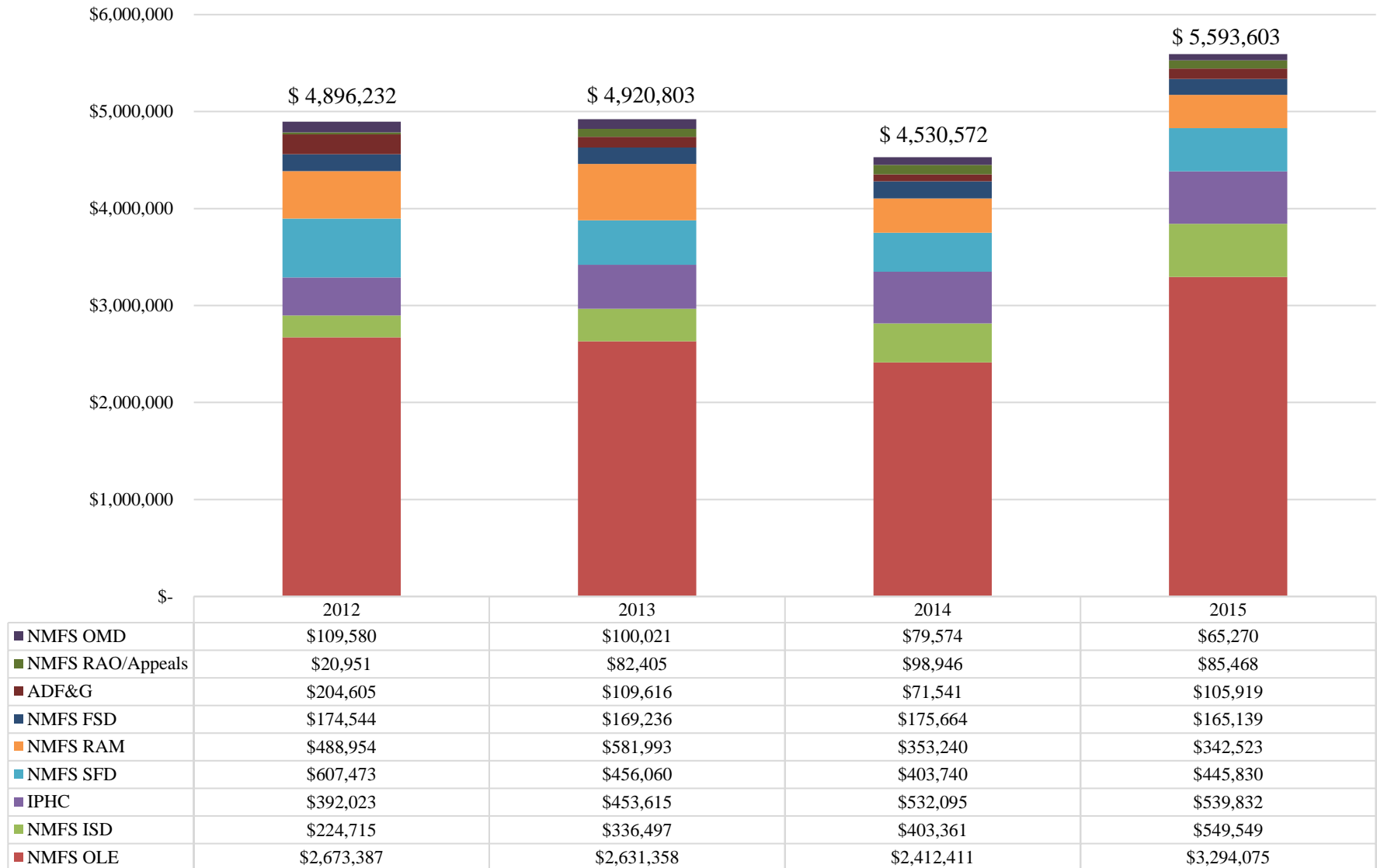


Figure 2 Total pounds landed of IFQ halibut and average price per pound from 2010 to 2015.

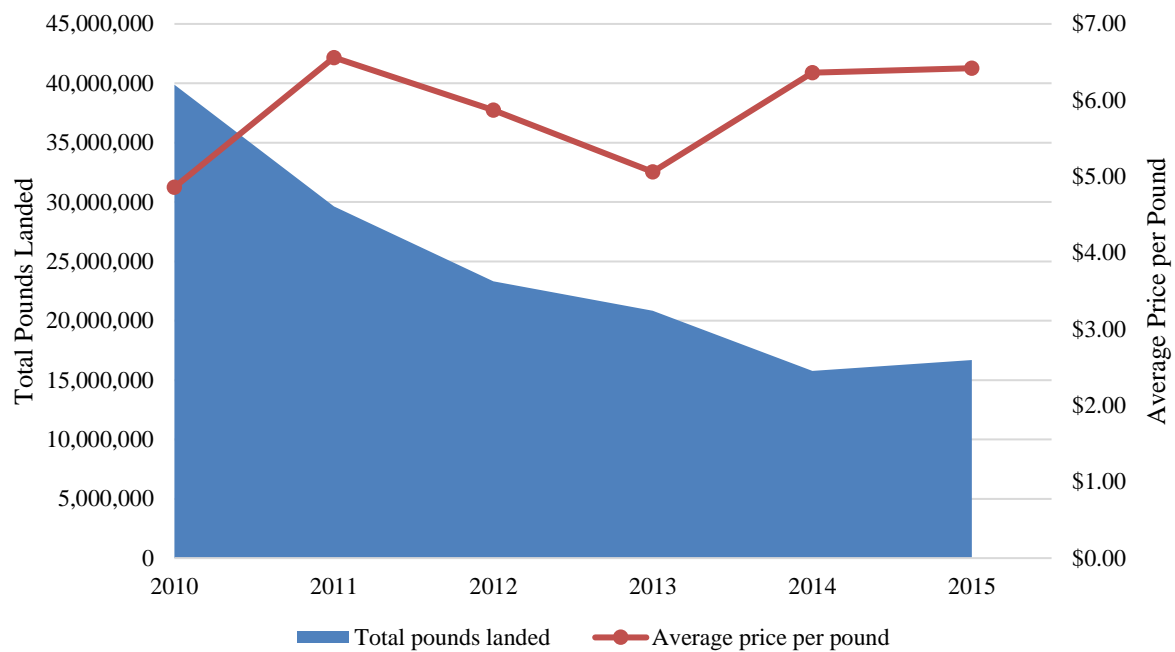


Figure 3 Total pounds landed of IFQ sablefish and average price per pound from 2010 to 2015.

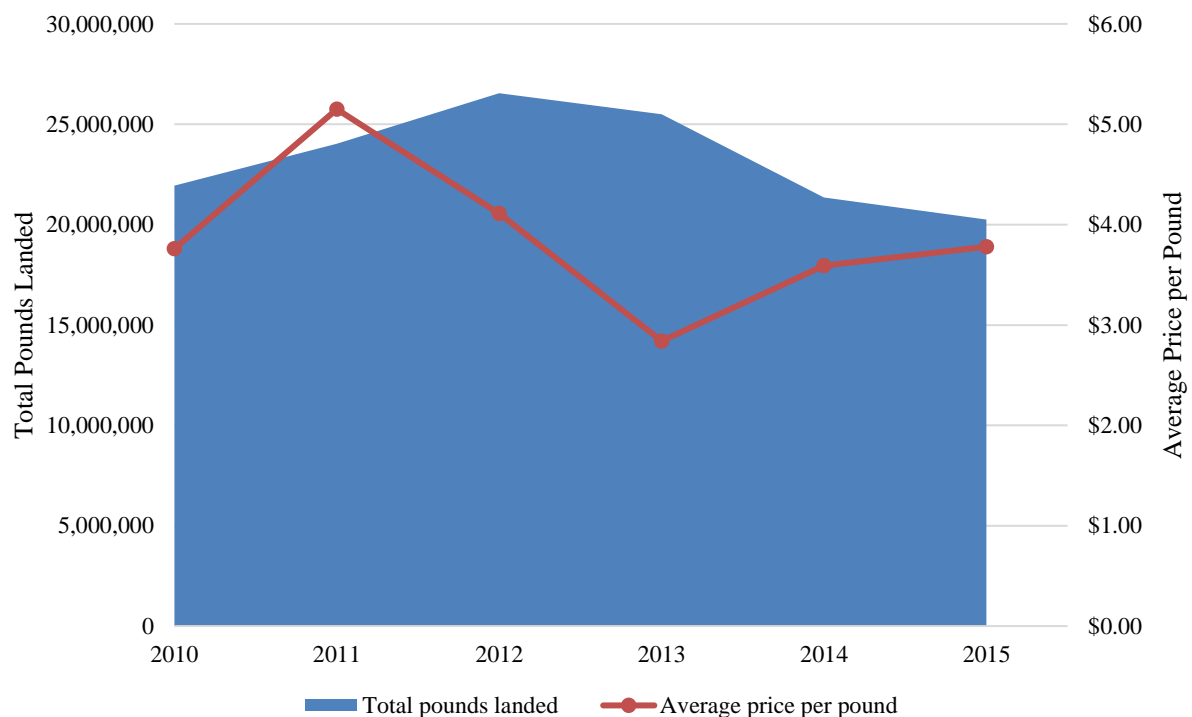


Table 2 IFQ Program cost recovery fee percentage 2000 through 2015.

Year	Direct Program Costs	Fishery Value	Fee Percentage
2000	\$3,474,111	\$195,882,332	1.80%
2001	\$3,430,357	\$167,368,176	2.00%
2002	\$3,513,827	\$180,276,723	2.00%
2003	\$3,407,118	\$236,536,464	1.40%
2004	\$3,326,607	\$235,431,066	1.30%
2005	\$3,743,630	\$235,865,140	1.60%
2006	\$2,789,047	\$268,403,752	1.00%
2007	\$2,739,602	\$234,866,119	1.20%
2008	\$3,468,590	\$244,854,438	1.40%
2009	\$4,302,026	\$209,893,255	1.60%
2010	\$5,203,411	\$276,175,760	1.40%
2011	\$5,065,748	\$318,077,388	1.60%
2012	\$4,896,232	\$246,067,580	2.10%
2013	\$4,920,803	\$177,746,256	2.80%
2014	\$4,530,572	\$176,983,090	2.60%
2015	\$5,593,603	\$183,896,787	3.04%*

* The fee liability percentage cannot exceed 3 percent.